COMMERCE-JUSTICE-STATE/Social Security Reform, Then Tax Relief

SUBJECT: Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill for fiscal year 1999 . . . S. 2260. Gregg modified amendment No. 3255.

ACTION: AMENDMENT AGREED TO, 55-45

SYNOPSIS: As reported, S. 2260, the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill for fiscal year 1999, will provide a total of \$33.239 billion in new budget authority, which is \$1.115 billion more than appropriated for fiscal year (FY) 1998 and is \$3.647 billion less than requested. The bill contains large spending increases for various law enforcement activities.

The Gregg modified amendment would express the sense of the Senate that Congress and the President: should continue to rid our country of debt and work to balance the budget without counting Social Security trust fund surpluses; should work in a bipartisan way on specific legislation to reform the Social Security system to ensure that it is financially sound over the long term and will be available for all future generations; should save Social Security first; and should return all remaining surpluses to the American taxpayers. The amendment would make several findings on the importance of the Social Security System and on the justness of, and the benefits that would come from, using the budget surpluses that will accumulate in the next 10 years to strengthen that system.

NOTE: The Gregg amendment was debated concurrently with a Hollings amendment. See vote No. 222.

Those favoring the amendment contended:

The Senate frequently votes on sense-of-the-Senate amendments that really have very little effect. Occasionally, though, amendments like the Hollings amendment and the Gregg amendment are offered that signal that major changes in policy are likely soon to be made. In this case, the pending amendments address the greatest long-term problem that the United States faces, which

(See other side) NAYS (45) NOT VOTING (0) **YEAS (55)** Republicans **Democrats Democrats** Republicans **Democrats** Republicans (55 or 100%) (0 or 0%) (0 or 0%) (45 or 100%) (0)(0)Abraham Hutchinson Akaka Johnson Allard Hutchison Baucus Kennedy Ashcroft Inhofe Biden Kerrey Jeffords Bennett Bingaman Kerry Bond Kempthorne Boxer Kohl Brownback Kyl Breaux Landrieu Lautenberg Burns Lott Brvan Campbell Lugar Bumpers Leahy Chafee Mack Byrd Levin Coats McCain Cleland Lieberman Cochran McConnell Mikulski Conrad Murkowski Daschle Moseley-Braun Collins Coverdell Nickles Dodd Moynihan Craig Roberts Dorgan Murray D'Amato Roth Durbin Reed DeWine Santorum Feingold Reid EXPLANATION OF ABSENCE: Robb Domenici Sessions Feinstein 1—Official Business Enzi Shelby Ford Rockefeller 2-Necessarily Absent Faircloth Smith, Bob Glenn Sarbanes 3-Illness Frist Smith, Gordon Graham Torricelli Harkin Wellstone 4—Other Gorton Snowe Gramm Specter Hollings Wyden Stevens Grams Inouye SYMBOLS: Grassley Thomas AY-Announced Yea Gregg Thompson AN-Announced Nay Hagel Thurmond PY-Paired Yea Hatch Warner PN-Paired Nay Helms

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is the looming insolvency of Social Security. When one first looks at the amendments, they appear to be nearly identical. Both say that we should use budget surpluses to save Social Security first. The Hollings amendment uses unclear language, in that it says we should save it first by saving surpluses in budget legislation this year. We are not sure what is meant by that language—it could mean that the budget resolution for this year should not allow any spending to increase, or it could mean that in the 5-year span covered by this resolution no spending should increase, or it could mean, and we hope that it means, that Social Security should remain our top priority until it is put back on a sound, long-term footing. The language in the Gregg amendment, which simply says that any surpluses should be used to save Social Security first, is clear—that goal should remain our priority, this year, next year, and every year thereafter until we succeed.

However, that difference is comparatively minor. The major difference between the two amendments is that the Gregg amendment states that after Social Security has been saved any remaining surpluses should be returned to the American people in tax relief. The Hollings amendment is silent on that point. The reason has to do with a dispute over how budgets should be calculated. Supporters of the Hollings amendment loudly proclaim that we do not have any surpluses (though their amendment somewhat schizophrenically claims that we must save surpluses this year to protect Social Security). They make that bold proclamation because they do not accept the validity of unified budget accounting, which is a simple measure of whether more is spent than is taken in. Thus, if \$1.7 trillion is collected in taxes in a year, and only \$1.6 trillion is spent, there is a \$100 million surplus. However, our colleagues argue that we should subtract any net receipts in Social Security before we claim to have a surplus. All Social Security tax collections, by law, are invested in Treasury notes. Thus, if in the above example Social Security had a surp had a5x*20t would receive *-4(had a5x in Treasur)Tji*ETi*qi*49.12 490.53 562.88 -11.16 rei*W m*BTi*10.08 *9 **ChatChe8a282.009 481.541 Tr 44 that money owed to Social Security, the budget was really \$100 had a5x in debt. Thus, \$\frac{1}{2}\$ our colleagues' logic, the only way to have a balanced budget would be to run a surp had a5x in the unified bud

g had a5x more than we spent, and did not give any of the money

g, and using the Congressa5xal Budget Office's conservative forecasts, we wad reach that just 6 years, because the unified surp ger than the Social Security surp

This method of accounting of our colleagues is admirably conservative in theory, but in this particular instance it would be foolhardy to follow it. Over the course of the next 10 years, if we were to cut spending y an extra \$100 bad a5x thisyear, and in future years almost up to \$200 bad a5x moreper year, we would be following our colleagues' advice, and we would reduce non-y debt by \$1.6 trad a5x to offset the Social Securit surp

political impossibadity, considering that we spend most of our time fighting to stop Democrats from increasing spending. Our liberal colleagues would like us to raise taxes, but we Rep y higher becaTje the tax burden 5x Americans is already at the highest level in history. Even if our colleagues' plan were possible, though, it would be a mistake to follow it. The savings from lower debt over 10 years that would come from it would be minor compared to the proj y deficits that are going to occur early in the next century. In the final years, before Social Security g le-year deficits will be enough to wipe out those gains. More is needed than to reduce the debt.

Thankfully, there are numerous solid legislative proposals, including some bipartisan proposals, to do more. Using Social Security pluses to reduce the debt is almost the quivalent of burying the money in the ground for safekeeping because the rate of return for Social Security is so abysmally low, and paying down the debt does nothing to solve that problem. For Americans entering the workforce now, they will barely break even for the amount they invest. For young black Americans entering the workforce, on average they will actually end up getting a negative rate of return. If our colleagues could quit fixating on their definition of a balanced budget, they could see that the question before us is how best can we use the unified budget surplus to save Social Security. If we do nothing, it will go broke in 2029. Nothing under our colleagues' plan would change that fact. The country would be a little less in debt when it happened, but the actuarial realities that are driving the coming insolvency would remain.

The unified budget surpluses, politically, are new money. Each year there are certain expenses for mandatory programs, and most of the discretionary spending is for ongoing programs that at most will be adjusted marginally. In other words, the \$1.7 trillion in annual spending is basically earmarked, and is changed only with great difficulty. Now, though, we find that we will have \$1.6 trillion more over the next 10 years than is needed for existing programs. We can pay down debt without doing anything to increase Social Security's rate of return, or we can invest in any of a number of suggested investment plans that would yield much higher rates of return. Senator Gregg, the sponsor of this amendment, has one such plan (which has bipartisan support) that would use private investments and that would make Social Security solvent for more than 100 years.

We are not arguing for implementing that plan over any of the other meritorious ideas that are being put forward, but we are saying that we should come to a decision on one of them soon. The sooner we put a plan into effect, the better it will work because of the snowball effect of compounding interest. If we start a plan rolling now, we will not have to invest nearly as much to get the trillions of dollars in savings needed in the coming decades. In fact, the Gregg plan and many of the other plans that have been suggested would cost much less than \$1.6 trillion. If we act now, we can put Social Security back into permanent health and still have substantial sums left over. The Gregg amendment, in recognition of that fact, states that once Social Security is saved, any

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remaining surpluses should be given back to the American people in tax relief instead of spent. We know many of our Democratic colleagues would much rather spend that money. Even before Social Security has been saved, we know for instance that President Clinton proposed breaching this year's spending caps by \$56 billion. Republican priorities are just clearly different in this regard. The percentage of income that the average American family has to pay in income is already at a record-high level. We would rather cut taxes, and let people spend their own money instead of having the Federal Government take it and spend it.

The unstated, underlying premise of the Hollings amendment—that we ought to run budget surpluses to pay down the debt—is clearly not the best way to strengthen Social Security. Much more needs to be done, and can be done at a smaller cost than proposed by the Hollings amendment, to save Social Security. The Gregg amendment clearly champions making reforms to Social Security that will save it for 100 years or more, and that will leave further substantial savings to give the American people much deserved tax relief. As we said at the outset, these two amendments appear to be very similar, but actually advocate very different courses of action. The course advocated by the Hollings amendment would be costly and disastrous for Social Security; the course advocated by the Gregg amendment would save Social Security and allow family tax relief. We thus urge the rejection of the Hollings amendment and acceptance of the Gregg amendment.

Those opposing the amendment contended:

We have offered the Hollings amendment because we are disturbed by the frequent calls we have been hearing from our Republican colleagues for tax cuts that they would pay for with the so-called "budget surpluses." There are no such surpluses, and there will not be for many years. Social Security will continue to take in more than it pays out, and the "unified" budget surpluses will be smaller than those Social Security surpluses. All of the Social Security surpluses are put directly into the general fund of the Treasury, and the Social Security Trust Fund is given Treasury notes, or IOUs. In other words, it is an even transaction--cash for an equal amount of debt. However, under unified budgeting, only the cash is counted on the books. The Federal Government gets away with this gimmickery by saying that it should not count those IOUs because it is money it owes to itself. However, it is wrong--it is money that it owes to the American people, and it holds that money in fiduciary trust. Any bank or insurance company that tried this gimmick would instantly be shut down. The Federal Government should not be held to a lesser standard of responsibility. In 1998, the Social Security Trust Fund surplus will be \$105 billion. The unified budget surplus that we are predicting this year is less than that amount. In other words, the budget is not really balanced. The only way that it can be counted as in balance is by counting the money that is raided from Social Security. We have been fighting against this deception for many years. Nearly a decade ago, we managed to get an amendment adopted to make it illegal. Every budget that we consider shows deficit numbers that do not count the Social Security surpluses. Unfortunately, every year Congress and the President refuse to look at those numbers or talk about them. They are written down, but they are ignored. Everyone instead uses the gimmick numbers of unified accounting. The economy is doing very well right now, and we give a huge part of the credit to Democrats for courageously enacting a huge tax hike in 1993. Instead of running huge deficits under unified accounting, we are now nearly in balance using honest accounting. We are pleased with that progress, and want it to continue. We think every Member should continue to push for a balanced budget without touching Social Security. Those surpluses in that program need to be saved so that the program will not go broke in the notto-distant future. Talk of tax cuts at this point is dangerous. If we give back the revenues we are now getting, with the budget almost in balance, we will make it much less likely that the budget ever will be in balance and that we will be able to save Social Security. The Hollings amendment, which we support, expresses strong support for saving Social Security. The Gregg amendment, which has been offered as an alternative, expresses the same support, but then it makes the dangerous statement that we should also support tax cuts. We absolutely should not. We urge our colleagues to support the Hollings amendment and to reject the Gregg amendment.